

**The Office of Horticultural Market Access
(OHMA)**

**Submission to the
Joint Standing Committee on Treaties**

**Japan-Australia
Economic Partnership Agreement**

August 2014

Executive Summary

- Horticulture is Australia's third largest agriculture industry, with a gross value of production of \$8.7 billion in 2011-12 and around 60,000 people employed in horticulture production.
- A number of horticulture industries already have a strong export capability and many more are committed to developing exports. A strong export culture is seen as an important part of long term industry viability and competitiveness.
- Japan is Australia's fifth largest market for horticulture exports, with annual trade around \$116 million. Key products include citrus, macadamias, onions and asparagus.
- Japanese tariffs of horticulture products generally range from 3% to 20%, but can be as high as 29% on certain processed products.
- The Japan-Australia Economic Partnership Agreement (JAEPA) will result in the elimination of virtually all tariffs on horticulture products and will therefore make a significant contribution to Australian horticulture industries ability to compete in and further develop the Japanese market.
- OHMA and the horticulture industries it represents support the completion of all necessary parliamentary procedures so that the agreement can enter into force at the earliest possible opportunity.

Background: OHMA and Horticulture Industries

The Submission is made by the Office of Horticultural Market Access (OHMA). OHMA is an industry-based committee which has been established to help maximise export market access opportunities for horticulture industries. A core function of OHMA is to provide coordinated industry advice and support to the government departments involved in the official market access negotiation process.

Horticulture is Australia's third largest agriculture industry, with a gross value of production of \$8.7 billion in 2011-12¹. Around 60,000 people are employed in horticulture production, and a further 6,200 in fruit and vegetable processing². Horticulture industries therefore make a significant contribution to the Australian economy.

The main product groups had the following gross value of production in 2011-12: fruit and nuts \$4,090 million; vegetables \$3,338 million and nursery, flower and turf production \$1,271 million.

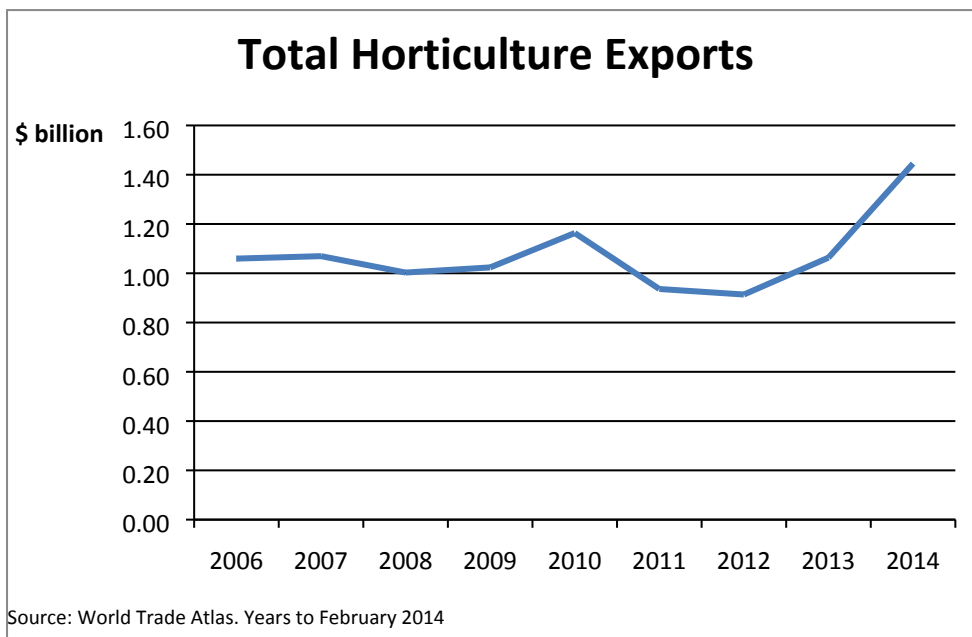
A number of horticulture industries have already developed a strong export capability and many more are committed to further developing exports. A strong export culture is seen as an important part of long term industry viability and competitiveness.

Horticulture exports are increasing. Total exports in the year to February 2014 were valued at \$1.44 billion³. This represented a 60% increase in the value of horticulture exports just two years ago.

¹ Horticulture Factsheet 2012, Department of Agriculture

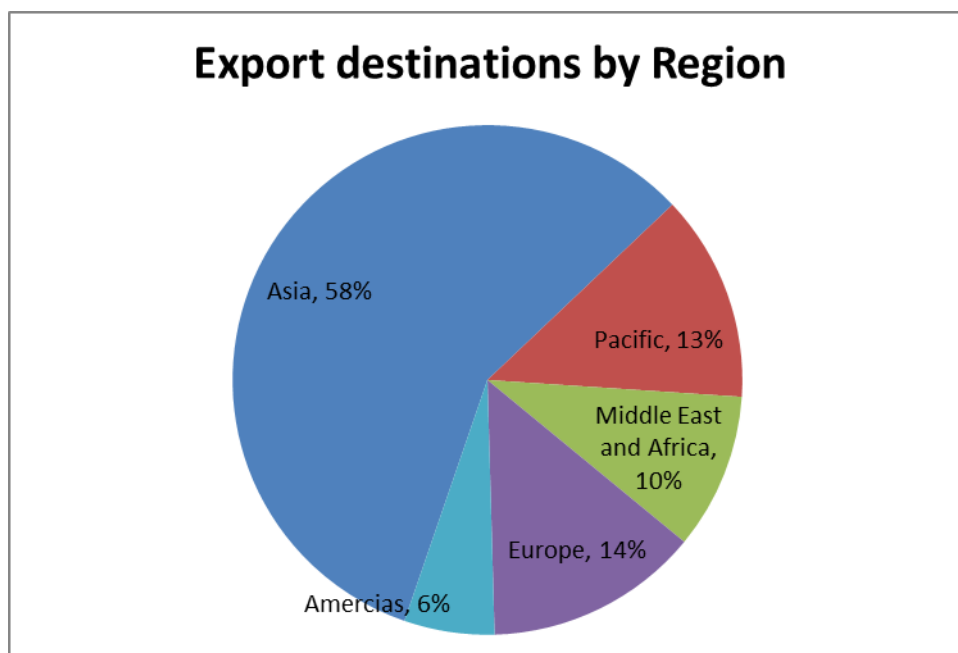
² Horticulture Factsheet 2012, Department of Agriculture

³ Source: World Trade Atlas. Horticulture is defined as all products in HS Chapters 06, 07, 08 and 20, excluding products in HS 0713.



Fresh fruit accounts for around 40% of total exports, nuts are 29%, fresh vegetables 16%, processed products 16% and nursery/cut flowers are 1%.

The majority of current horticulture exports are destined for Asia, with eight of the top twelve export markets being in Asia. In other regions, New Zealand, United States, Germany and United Arab Emirates are important export destinations.



Horticulture Trade with Japan

Japan is Australia's fifth largest market for horticulture exports, with trade in the year to May 2014 totalling \$116 million. Key products include oranges, mandarins, macadamias, onions and asparagus.

Barriers to the Japanese market are two-fold: phytosanitary restrictions and tariffs. On the former, phytosanitary protocols are required to access the Japanese market and these are currently in place for some products, but a number of industries are seeking new or improved phytosanitary access to Japan. In line with established practice, negotiations to establish further phytosanitary protocols are being conducted on a separate track to the FTA. New access for table grapes was the most recent success in early 2014.

In terms of the tariff barriers, Japanese tariffs on horticulture products generally range from 3% to 20%, but can be as high as 29% on certain processed products. Key horticulture exports to Japan, their current trade value and current tariff rates are set out in the following table.

	Product	Current trade Value	Current Tariff Rate
Fruit	Oranges	\$34.6 million	16%
	Mandarins	\$4.1 million	17.5%
	Table Grapes	\$1.5 million	7.8% in-season 17% off-season
Nuts	Macadamias	\$17.5 million	3%
Vegetables	Asparagus	\$14.2 million	3%
	Onions	\$3.7 million	8.5%
Processed Products	Fruit Juices	\$23.5 million	Tariffs range up to 29.8%
	Processed Nuts	\$1.3 million	12% to 16%
	Tinned fruit	\$1.9 million	8% to 10.8%

JAEPA Outcomes – Tariff Elimination

The JAEPA will result in the elimination of virtually all tariffs on horticulture products into Japan. Japan has excluded only a very few horticulture products from tariff elimination namely: shitake mushrooms, pineapples and bananas. Australia does not export any of these items to Japan and is unlikely to do so in the future.

JAEPA will result in the immediate elimination of tariffs on macadamias and asparagus - two of the largest export items. Tariffs on the other products are generally phased out over a 5 to 10 year period, with the exception of mandarin tariffs which are phased out over 15 years.

JAEPA tariff elimination outcomes for specific horticulture products are presented in the following table. This represents a good outcome for horticulture and industries are confident this will improve their ability to compete in and further develop the Japanese market. In particular it will give Australian producers an advantage over competitors from countries that do not yet have an FTA with Japan.

Immediate elimination	Macadamias, almonds, pecans, hazelnuts. Asparagus, Carrots, Garlic, Tomatoes, Shallots, Cauliflower, Broccoli, Truffles, Capsicum, Pumpkins. Mangoes, Dried Grapes, Raspberries, Cranberries, Blueberries, Cherries (in season).
3 years	Strawberries
5 years	Onions, Grapefruit, Pears, Apricots, Peaches, Plums, Kiwifruit, walnuts.
7 years	Table grapes (in season), tinned peaches and pears.
10 years	Apples, Oranges, chestnuts
15 years	Mandarins

JAEP A Outcomes – Certification of Origin

OHMA supports the provisions of the JAEP A that allow exporters and producers to self-certify the origin of their goods. Some previous FTAs have required compulsory third-party certification, which adds additional cost and time delays to the export process. This is particularly true for horticulture exporters who are sending time-sensitive, perishable products and are often based in rural areas some distance from certifying authorities.

The option of self-certification provides flexibility to producers and exporters and should be included in all Australia’s trade agreements.

Summary and Conclusions

Japan is a significant market for Australian horticulture exports. With annual trade around \$116 million it is the fifth largest market for horticulture exports worldwide. The outcomes of the JAEP A will deliver immediate tariff elimination on a number of key trade products and phased tariff elimination on remaining items. This tariff elimination under the JAEP A will make a significant contribution to Australian horticulture industry’s ability to compete in and further develop the Japanese market.

OHMA and the horticulture industries it represents support the completion of all necessary parliamentary procedures so that the agreement can enter into force at the earliest possible opportunity.

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